

ST 01-0034-GIL 02/19/2001 EXEMPT ORGANIZATIONS

Organizations that are exclusively religious, educational, or charitable can make application to the Department for exemption identification numbers required to make tax-free purchases of tangible personal property for use or consumption. (This is a GIL.)

February 19, 2001

Dear Xxxxx:

This letter is in response to your fax dated December 28, 2000. The nature of your fax and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be accessed at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your fax, you have stated and made inquiry as follows:

I have a question regarding Sales Tax exemption for COMPANY.

In the first paragraph it states the use tax, and the service use tax is also exempted. Does This mean that the customer is sales tax exempted from our service-BUSINESS?

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification numbers ("E" numbers). These numbers establish that the Department recognizes said organizations as exempt from incurring Use Tax when purchasing tangible personal property in furtherance of their organizational purposes. The organization can also use their E number to document exemption from Service Use Tax in a service transaction where they receive tangible personal property as an incident of a purchase of service from a serviceman. See 86 Ill. Adm. Code 160.101, enclosed.

Please be advised these E numbers cannot be used with respect to liability incurred under the Telecommunications Excise Tax Act. The Telecommunications Excise Tax Act (The Act) imposes a tax on the act or privilege of originating or receiving intrastate or interstate telecommunications by persons in Illinois at the rate of 7% of the gross charges for such telecommunications purchased at retail from retailers by such persons, 35 ILCS 630/3 and 4. The Act defines gross charges as including amounts paid for the act or privilege of originating or receiving telecommunications in this State and for all services and equipment provided in connection therewith by retailers, 35 ILCS 630/2(a). Retailers of telecommunications include persons who provide cellular phone or paging services, and charges for "airtime" and activation fees are subject to tax.

The Act does not authorize an exemption for a purchase of telecommunications by holders of E numbers in Illinois. Such purchases are fully subject to tax. The only purchasers who can

purchase telecommunications tax-free are the State and Federal governments, State Universities created by statute, and wholly owned corporate subsidiaries purchasing from the parent or other wholly owned subsidiary. See Section 2 of the Act (35 ILCS 630/2).

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Karl W. Betz
Associate Counsel

KWB:msk
Enc.